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Letter Ruling 79-2: Service Charges on Meals

February 16, 1979

In your letter of January 29, 1979 you requested a ruling with respect to the application of the sales tax on meals to the service charges made for meals by ***** (the "Club").

The Club is a non-profit organization run for the benefit of its members. For federal income tax purposes it is exempt under I.R.C. s. 501(c)(7).

The Club furnishes meals to its members and their guests which are charged to the members. The charge slips separately state the price of the meals, the service charge and the sales tax. The service charge is an amount equal to fifteen percent of the price of the meal.

The Club does not retain any portion of the service charges, but serves only as a conduit in turning the service charges over to the service employees. The service charges are included in the employees' weekly salary checks.

Based on the foregoing it is ruled that the sales tax will be computed on the price of the meals and that the service charges are not "received" by the Club within the meaning of Section 1(6) of Chapter 64H of the General Laws and are not subject to the sales tax.

Very truly yours,

/s/L. Joyce Hampers

L. Joyce Hampers
Commissioner of Revenue

LJH:JJW:FC

LR 79-2

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